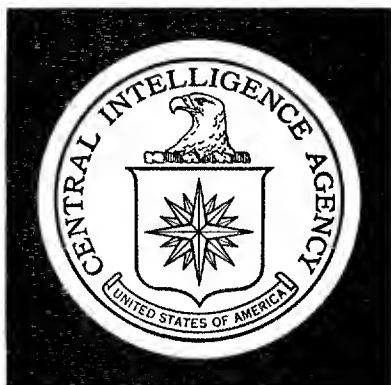


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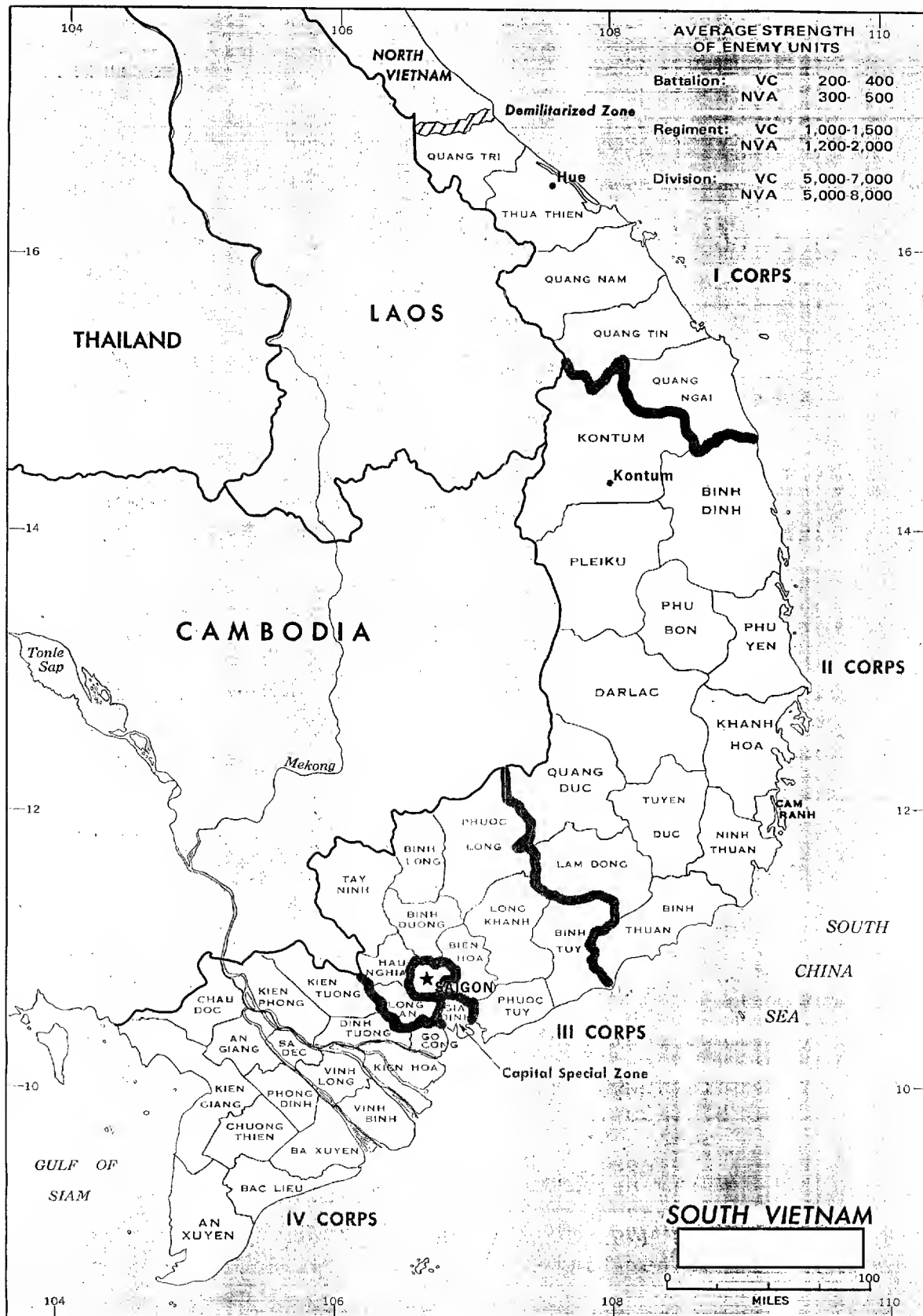
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[Vietnam:

South Vietnam: The five-week hiatus in significant Communist attacks continues.

Saigon, Hue, Kontum city, and a number of allied bases throughout South Vietnam received light and generally ineffective rocket and mortar attacks during the past three days, but an anticipated upsurge in the over-all level of enemy action failed to materialize.

* * * *

Conflicting statements by South Vietnamese authorities have caused confusion in Saigon concerning planned cabinet changes.

On 18 July, a spokesman for Prime Minister Huong told the press that Huong planned to reorganize his cabinet soon. The spokesman gave at least some newsmen the impression that "ability and not politics" would be the criterion for any changes. The press conference was apparently called by Huong's office in order to head off growing speculation that the prime minister himself might be replaced.

The next day, however, President Thieu told newsmen that the planned reorganization would bring into the government members of political groups not now represented. He predicted that the country would have a more "broadly based" government within about two weeks.

These conflicting versions of what President Thieu and Prime Minister Huong plan may have resulted from a decision in Prime Minister Huong's office to issue a public statement before Huong had his lines straight with Thieu. **1**

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[The confusion was compounded on 21 July, when a government spokesman announced that all cabinet members had submitted their resignations in preparation for the reshuffle, only to have the announcement flatly denied two hours later by a spokesman for Prime Minister Huong.

North Vietnam: President Ho Chi Minh's address on 20 July, the 15th anniversary of the Geneva Accords, repeated the standard Communist claims of success on the battlefield and the usual demands for complete and unconditional withdrawal of US forces as a precondition for elections or other political arrangements. He alleged that 80 percent of South Vietnam's territory and 75 percent of its people have been "liberated" by Communist forces. Exhorting the armed forces and people to be "fearless of sacrifices and hardships," he promised "total victory" to the Communists.

In an apparent attempt to recapture some of the propaganda initiative from President Thieu and the allies, Hanoi Radio and the party newspaper Nhan Dan, as well as a radio commentary broadcast in the name of the so-called Provisional Revolutionary Government, have all elaborated on Ho's themes. None of these Communist statements, however, has made any new proposals or otherwise suggested that any initiatives are imminent.  (Map)]

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[El Salvador - Honduras: The cease-fire agreement has been violated by both sides, and El Salvador shows no intention of complying with the OAS demand for troop withdrawals by midnight tonight.

Salvadoran troops, in fact, have made further incursions into Honduran territory. News media in El Salvador continue to maintain that Salvadoran forces are in an "Israeli-like situation," and the public appears to support this stance enthusiastically. OAS representatives were physically molested in San Salvador yesterday by angry crowds shouting opposition to withdrawal from Honduras. OAS councilmen are pessimistic that their terms will be met, and there is some sentiment in favor of convening a full assembly of OAS foreign ministers.

Nicaraguan President Somoza has denied rumors that he will provide arms to Honduras, but substantial materiel has been stockpiled at the airport. There are also reports of partial mobilization of the Guatemalan armed forces.

The Honduran government and public are disturbed over the lack of definite OAS action, but so far have shown restraint and willingness to comply with OAS resolutions. The public security situation, however, remains precarious, with undisciplined civilians performing police functions.



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India: Prime Minister Indira Gandhi has for now bested her opponents within the Congress Party.

The old-guard party bosses have backed off from a show-down with the prime minister. They reportedly fear that a concerted move to oust Mrs. Gandhi at this time might prompt her to persuade the acting President to dissolve Parliament and call for new elections. Alternatively, she could break with the party and form a new coalition government with the leftist opposition. Her opponents would now prefer to make their move after the presidential election on 16 August, when a candidate more favorable to their interests is expected to win.

Mrs. Gandhi has moved quickly to strengthen her position. Her sudden nationalization of 14 major banks by presidential ordinance on 19 July has left her opponents confused and divided. This action, despite its controversial nature, is in keeping with hallowed Congress Party doctrine. Moreover, the Congress bosses are not united on the nationalization question and thus have been unable to rally behind the cause of Mrs. Gandhi's arch-rival, Morarji Desai. Desai was last week forced from the cabinet, ostensibly because of his opposition to the prime minister's economic plans.

Although Mrs. Gandhi has won this round with the party bosses, her longer term future is not ensured. Her formidable opposition will be watching for an issue on which they can unite against her. She has acted skillfully and decisively in the last week, but the demagoguery implicit in her manipulation has aroused concern.

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Malaysia: The challenge to the government's moderate leadership seems to have been checked momentarily, but the threat posed by extremist Malay elements persists.

The expulsion of an extremist Malay leader from the executive council of the dominant United Malays National Organization apparently has frustrated for the time being a "young Turk" faction that favors more aggressive policies in dealing with the nation's Chinese elements. On 18 July, Deputy Prime Minister Razak appealed to all Malaysians to give full support to Prime Minister Rahman, who is under fire from the extremists. On the previous day, the Minister of Home Affairs assured the Malays that their constitutionally guaranteed "special privileges" would be protected and enforced by the government, but warned that infractions of the law by either the Chinese or the Malays would be dealt with impartially.

A continuing drift in the nation's delicate race relations problem and further communal outbreaks appear likely, particularly in view of Razak's deference to the now ineffectual prime minister and the inability of the present leadership to gain the confidence of the more assertive Malay nationalists and of the Chinese.

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West Germany: The chief of the West German trade mission in Warsaw, Heinrich Boex, is optimistic over the possibilities of reaching political and economic accords with Poland.

According to Boex, Deputy Foreign Minister Winiewicz suggested during their most recent conversation that a long-term "economic treaty" be concluded. The agreement would upgrade the resident trade missions in each country and grant them visa-issuing powers. It would aim at trebling bilateral trade over a five-year period and would provide for new West German credits for Poland, as well as expanded joint-production arrangements. Boex expected authorization from Bonn to negotiate such an accord.

On political issues, Winiewicz avoided a specific response, but he seemed to react positively to suggestions that a renunciation-of-force agreement be negotiated and that thereafter talks begin on the Oder-Neisse line. Boex, who has a reputation for overstating prospects, saw a good chance for rapid progress on a force agreement.

Like West Berlin Mayor Schuetz, who visited Warsaw in June, Boex discerned a Polish willingness to be flexible on a formula that would permit Bonn to accept the Oder-Neisse line. Winiewicz reportedly did not insist on a treaty, but rather suggested an exchange of separate declarations between the two countries. Boex foresaw the possibility of negotiations after the West German national elections on 28 September.

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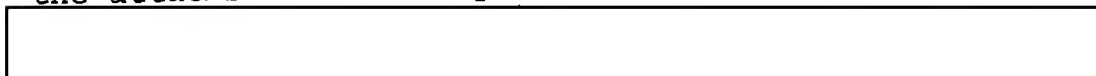
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Brazil: The government fears that current urban terrorist activity may be expanded to guerrilla warfare.

Vice President Aleixo believes that the urban terrorism that has hit several Brazilian cities during the past several months may spread to other urban zones and to rural areas. He believes that the bank robberies and thefts of arms, explosives, and medical supplies indicate that the terrorists are preparing to step up their activities.

In Sao Paulo, which has been hardest hit by the violence, authorities have arrested a large number of suspects, most of them members of the leftist extremist Popular Revolutionary Vanguard or followers of dissident Communist Carlos Marighella. This has not checked terrorism, however. During the past two weeks, three television stations have been burned and others have received threats of similar actions.

The government has been doing everything possible to keep the public from learning about the extent of the terrorism, but the Governor of Sao Paulo has now issued an appeal to the citizenry for aid in curbing the attacks and identifying those responsible.



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Peru: General Velasco's military government reportedly intends to abolish the present municipal government system of elected mayors and councils. The incumbents, the only popularly elected officials still in office in Peru, would be replaced by councils appointed by the military government. The change could come as early as 28 July, Peruvian Independence Day [REDACTED]

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The Velasco government's decision to move at this time may have been prompted by the frequent criticism leveled at it by Lima's mayor, Luis Bedoya Reyes. [REDACTED]

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